

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2010 AND 2009

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COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Robert Mulder	Chairperson	City of Primghar
Steve Leng	Vice-Chairperson	City of Hartley
Kelly O'Brien	Member	City of Sanborn
Mike Otto	Member	City of Paullina
Jim Norton	Member	At Large
D. J. Weber	Manager	

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Members of Community Cable
Television Agency of O'Brien County:

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2010 and 2009, and the respective changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

December 21, 2010

Hunzelman, Putzier & Co.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY

BALANCE SHEETS

JUNE 30, 2010 AND 2009

Exhibit A

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 311,723	\$ 220,988
Accounts receivable - customers	26,444	31,792
Accounts receivable - access fees	132,320	204,119
Accounts receivable - other	13,843	24,103
Accrued interest receivable	4,525	3,505
Prepaid expenses	35,902	48,107
Total current assets	<u>524,757</u>	<u>532,614</u>
Non-current assets:		
Cash and cash equivalents-restricted	200,000	200,000
Temporary cash investments-restricted	300,000	300,000
Capital assets at cost, net of accumulated depreciation (Note 4)	225,505	278,460
Construction work in progress	41,061	-
Total non-current assets	<u>766,566</u>	<u>778,460</u>
Total assets	<u>\$1,291,323</u>	<u>\$ 1,311,074</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 240,732	\$ 154,625
Accrued payroll and payroll taxes	21,373	18,230
Accrued vacation	10,368	8,771
Accrued sales tax	8,490	-
Accrued excise tax	1,074	-
Accrued property taxes	14,206	17,978
Customer prepayments	597	792
Customer deposits	18,550	22,150
Total current liabilities	<u>315,390</u>	<u>222,546</u>
Long-term liabilities		
Long-term sick leave liability (Note 6)	<u>101,350</u>	<u>92,947</u>
<u>NET ASSETS</u>		
Invested in capital assets	266,566	278,460
Restricted	500,000	500,000
Unrestricted	108,017	217,121
Total net assets (Note 5)	<u>874,583</u>	<u>995,581</u>
Total liabilities and net assets	<u>\$1,291,323</u>	<u>\$ 1,311,074</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

Exhibit B

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES</u>		
Cable revenue	\$ 897,944	\$ 831,594
Telephone revenue	982,518	1,028,245
Carrier access fee revenue	291,441	396,890
Internet revenue	480,510	441,917
Modem purchases and rentals	33,457	29,924
Other operating revenues	11,243	26,298
Total operating revenues	<u>2,697,113</u>	<u>2,754,868</u>
<u>OPERATING EXPENSES</u>		
Cable services	650,634	605,296
Telephone services	204,122	291,979
Carrier access fees	78,943	152,826
Internet services	144,511	140,644
Billing fees	48,794	52,447
Salaries	363,863	334,685
Employee benefits	152,051	120,889
Repairs and maintenance	164,037	230,553
Oil and gas	12,805	10,978
Advertising and marketing	16,397	20,617
Professional fees	60,751	51,616
Property taxes	14,206	17,978
Utilities	41,986	39,725
Postage and shipping	3,544	3,369
Office supplies	2,201	2,249
Meeting expenses	997	2,184
Insurance	15,829	13,772
Education and training	-	5,980
Operating supplies	192	121
Depreciation	72,942	68,857
Equipment rental	123	161
Telephone	10,624	8,757
Service agreements	46,820	46,170
Bad debt expense	4,800	6,528
Dues and subscriptions	3,717	3,468
Board fees	1,299	2,700
Miscellaneous	1,165	1,641
Total operating expenses	<u>2,117,353</u>	<u>2,236,190</u>
Operating income	579,760	518,678

(Continued)

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009

Exhibit B
(Continued)

	<u>2010</u>	<u>2009</u>
<u>NONOPERATING REVENUES</u>		
Interest income	\$ 13,567	\$ 17,528
Changes in net assets	593,327	536,206
Net assets beginning of year	995,581	1,038,196
Residual equity transfers to member cities	<u>(714,325)</u>	<u>(578,821)</u>
Net assets end of year	<u>\$ 874,583</u>	<u>\$ 995,581</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

Exhibit C

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$2,789,215	\$2,752,745
Cash payments to suppliers for goods and services	(1,432,883)	(1,732,276)
Cash payments to employees for services	<u>(502,771)</u>	<u>(460,842)</u>
Net cash provided by operating activities	<u>853,561</u>	<u>559,627</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payment to member cities	(714,325)	(578,821)
Acquisition of capital assets	<u>(61,048)</u>	<u>(21,751)</u>
Net cash used in capital and related financing activities	<u>(775,373)</u>	<u>(600,572)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(300,000)	(300,000)
Proceeds from sale of investments	300,000	300,000
Interest on investments	<u>12,547</u>	<u>19,357</u>
Net cash provided by investing activities	<u>12,547</u>	<u>19,357</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	90,735	(21,588)
Cash and cash equivalents at beginning of year	<u>420,988</u>	<u>442,576</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 511,723</u>	<u>\$ 420,988</u>
<u>RECONCILIATION OF CASH & CASH EQUIVALENTS</u>		
Unrestricted	\$ 311,723	\$ 220,988
Restricted	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 511,723</u>	<u>\$ 420,988</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 579,760	\$ 518,678
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	72,942	68,857
Changes in assets and liabilities:		
Decrease in accounts receivable	87,407	108,580
Decrease (increase) in prepaid expenses	12,204	(16,860)
Increase (decrease) in accounts payable	86,108	(103,132)
Increase (decrease) in other liabilities	<u>15,140</u>	<u>(16,496)</u>
Total adjustments	<u>273,801</u>	<u>40,949</u>
Net cash provided by operating activities	<u>\$ 853,561</u>	<u>\$ 559,627</u>

See notes to financial statements.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. Summary of Significant Accounting Policies

Community Cable Television Agency of O'Brien County (the Agency) was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency was formed to manage, administer, operate and maintain jointly owned facilities and equipment for the purpose of providing cable television, telephone, and internet services to the citizens of the participating communities.

The Agency is governed by a Board consisting of five representatives serving on staggered six-year terms. There is one representative from each of the following governmental entities: the City Council of Primghar, the Board of Trustees of the Sanborn Electric and Telecommunications Utility, the City Council of Hartley, and the City Council of Paullina. The fifth representative is appointed by mutual agreement of the majority of the representatives from the governmental entities noted above.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Agency has included all funds. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

D. Assets, Liabilities, and Net Assets

The following accounting policies are followed in preparing the balance sheets:

Cash and Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2010 and 2009, include certificates of deposit of \$300,000.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is being depreciated over a five to ten year life.

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2010.

2. Cash and Investments

The Agency's deposits in banks at June 30, 2010 and 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3 as amended by Statement Number 40.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

3. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$23,478, \$21,165, and \$19,141 respectively, equal to the required contribution for each year.

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Construction work in progress	\$ -	\$ 41,061	\$ -	\$ 41,061
Capital assets being depreciated:				
Furniture and equipment	\$471,522	\$ 19,987	\$ -	\$ 491,509
Less amortization and depreciation	193,062	72,942	-	266,004
Total capital assets, net	\$278,460	\$ (52,955)	\$ -	\$ 225,505

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets being depreciated:				
Furniture and equipment	\$449,771	\$ 21,751	\$ -	\$ 471,522
Less amortization and depreciation	124,205	68,857	-	193,062
Total capital assets, net	\$325,566	\$ (47,106)	\$ -	\$ 278,460

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

5. Net Assets

Net assets as of June 30, 2010 are allocated to the members as follows:

	<u>Hartley</u>	<u>Paullina</u>	<u>Primghar</u>	<u>Sanborn</u>	<u>Total</u>
Contributed capital	\$ 100,967	\$ 73,339	\$ 59,031	\$ 83,791	\$ 317,128
Retained earnings at June 30, 2009	249,326	182,180	162,268	84,679	678,453
Change in net asset July 1, 2009 to June 30, 2010	174,020	150,313	160,597	108,397	593,327
Residual equity transfers	(244,613)	(203,592)	(209,421)	(56,699)	(714,325)
Retained earnings at June 30, 2010	178,733	128,901	113,444	136,377	557,455
Total net assets at June 30, 2010	<u>\$ 279,700</u>	<u>\$ 202,240</u>	<u>\$ 172,475</u>	<u>\$ 220,168</u>	<u>\$ 874,583</u>
Accrual basis net assets:					
Invested in capital assets	\$ 85,957	\$ 59,729	\$ 50,037	\$ 70,843	\$ 266,566
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unrestricted	32,513	30,476	28,583	16,445	108,017
	<u>\$ 279,700</u>	<u>\$ 202,240</u>	<u>\$ 172,475</u>	<u>\$ 220,168</u>	<u>\$ 874,583</u>

Net assets as of June 30, 2009 are allocated to the members as follows:

Contributed capital	\$ 100,967	\$ 73,339	\$ 59,031	\$ 83,791	\$ 317,128
Retained earnings at June 30, 2008	205,202	156,387	134,275	225,204	721,068
Change in net asset July 1, 2008 to June 30, 2009	164,770	154,897	166,167	50,372	536,206
Residual equity transfers	(120,646)	(129,104)	(138,174)	(190,897)	(578,821)
Retained earnings at June 30, 2009	249,326	182,180	162,268	84,679	678,453
Total net assets at June 30, 2009	<u>\$ 350,293</u>	<u>\$ 255,519</u>	<u>\$ 221,299</u>	<u>\$ 168,470</u>	<u>\$ 995,581</u>
Accrual basis net assets:					
Invested in capital assets	\$ 89,792	\$ 62,395	\$ 52,270	\$ 74,003	\$ 278,460
Restricted for debt service	161,230	112,035	93,855	132,880	500,000
Unrestricted	99,271	81,089	75,174	(38,413)	217,121
	<u>\$ 350,293</u>	<u>\$ 255,519</u>	<u>\$ 221,299</u>	<u>\$ 168,470</u>	<u>\$ 995,581</u>

Net assets restricted for debt service consist of amounts required to be set aside by each city's bond resolution up to a maximum amount of \$500,000.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
NOTES TO FINACIAL STATEMENTS
JUNE 30, 2010 AND 2009

6. Long-Term Sick Leave Liability

The Agency's sick leave policy provides that any full-time employee who elects to take retirement on IPERS or Social Security and has completed 180 months or more of continuous service to the Agency shall be compensated for up to 120 days of unused sick leave or prorated to the number of years of employment.

This accumulated benefit obligation was \$101,350 and \$92,947 for the years ended June 30, 2010 and 2009, respectively. The discount rate used in determining the present value of the accumulated postretirement benefit is 6.00%.

7. Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Agency assumes liability for any deductibles and claims in excess of coverage limitations.

8. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

9. Significant Area Concentration Of Credit Risk

The Agency extends credit to its customers on terms no more favorable than standard terms of the industry it serves. The Agency's customers are located in the four member cities. The Agency's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

10. Subsequent Event

On October 19, 2010, the Agency approved a contract to construct a storage building at a total cost of \$81,934.

HUNZELMAN, PUTZIER & CO., PLC
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Members of Community Cable
Television Agency of O'Brien County:

We have audited the accompanying financial statements of Community Cable Television Agency of O'Brien County (the Agency) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and constituents of the Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

December 21, 2010

Hungelman, Tuttle & Co.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated the activities of one employee act as a check on those of another. One person had control over each of the following areas for the Agency at certain times:

1. Accounting system - performance of all general accounting functions.
2. Receipts - collecting, depositing, journalizing, and posting.
3. Utility receipts - billing, collecting, depositing, posting, and reconciling.
4. Disbursements - preparing, recording, and reconciling.
5. Financial reporting - preparing, reconciling, and distributing.
6. Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - As to the concern about not being enough segregation of duties among the employees in the aspect of internal accounting control. More than one person has control as follows:

1. Accounting system is the responsibility of the Office Manager and is overseen by the General Manager.
2. Receipts:
 - a. Cash and checks are verified and date stamped by the Front Desk CSR.
 - b. Monies are given to the Office Assistant for posting to the customer account.
 - c. Office Assistant prepares the deposit.
 - d. Office Manager posts to accounting system and deposits at bank.
3. Utility receipts:
 - a. Each office person does billing.
 - b. Each city and office person does collecting and payments are recorded.
See No. 2 for depositing and posting.
 - c. Reconciling is done by the Office Manager using our CPAS accounting system and is reviewed by the General Manager.
4. Disbursements:
 - a. The Office Manager does preparation and recording. Then all disbursements are approved by the General Manager before final approval by the Board of Directors for The Community Agency.
 - b. Reconciling is done by the Office Manager using our CPAS accounting system and is reviewed by the General Manager.
5. All financial reporting is prepared by the Office Manager and is reviewed by the General Manager and the Board of Directors.
6. The computer usage is monitored and controlled by the General Manager.

Conclusion - Response accepted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements – (Continued):

- I-B-10 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – The management of TCA acknowledges that we do not have a certified public accountant (CPA) on staff to create the financial statements required by GAAP (generally accepted accounting principles). We do rely on our auditor to make sure that we are in compliance with these standards. The Board of TCA may feel that it is necessary to employ a CPA to prepare the financial statements in this manner at some point.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- II-B-10 Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- II-C-10 Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not. However, the minutes were not submitted for publication to the newspaper within twenty days following adjournment of the meeting as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The minutes should be submitted for publication as required by the Code.

Response – The Board minutes will be submitted for publication within twenty days as required by Code.

Conclusion – Response accepted.

- II-D-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

COMMUNITY CABLE TELEVISION AGENCY OF O'BRIEN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting – (Continued):

- II-E-10 Business Transactions – Business transactions between the Agency and Agency officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Norton, Member, Owner of Hartley Farm and Home Center	Repairs/supplies	\$109

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions do not appear to be a conflict of interest since the cumulative amounts were less than \$2,500 during the fiscal year.

- II-F-10 Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

- II-G-10 Bond Coverage - Employees were covered by a surety bond during the year ended June 30, 2010.